

Message Text

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ORIGIN NEA-16

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03

CIAE-00 INR-10 NSAE-00 DODE-00 PM-07 COME-00 XMB-07

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P 030035Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY RABAT PRIORITY

C O N F I D E N T I A L STATE 143598

E.O. 11652:GDS

TAGS: PFOR, MASS, MO

SUBJECT:BACKGROUND ON FY 74 MOROCCAN FMS AGREEMENT

REF:A:STATE 140791 B: RABAT DTG 211503Z JUN 74

1. REFTEL REPORTED THAT MOROCCAN NEGOTIATORS IN WASHINGTON HEADED BY SECRETARY OF STATE FOR FINANCE REGHAYE WERE UNABLE TO MEET JUNE 28 DEADLINE FOR SIGNING CREDIT AGREEMENT WITH PRIVATE US LENDERS FOR \$12 MILLION LOAN TO BE GUARANTEED BY USG UNDER FMS. AMBASSADOR SENOUSI SIGNED AGREEMENT FOR \$3 MILLION DIRECT FMS CREDIT ON JUNE 28 INSTEAD.

2. THERE WERE SEVERAL REASONS FOR FAILURE TO SIGN \$12 MILLION CREDIT, DATING BACK TO NOTIFICATION TO GOM THAT FMS PROGRAM WAS BEING SHIFTED FROM DIRECT TO PRIVATE CREDIT. GOM APPARENTLY WAS SLOW TO REALIZE IMPLICATIONS OF
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SHIFT AND WAS UNUSED TO NEGOTIATIONS WITH PRIVATE LENDERS

FOR MILITARY CREDITS.

3. ONCE ABOVE NEGOTIATIONS GOT UNDERWAY, MOROCCANS, CONCERNED OVER HIGH COMMERCIAL INTEREST RATES IN MARKET, USED TRADITIONAL NEGOTIATING TACTICS WITH PROSPECTIVE LENDERS IN ORDER TO GET BEST DEAL. TACTICS INVOLVED GOING DOWN TO WIRE. UNFORTUNATELY MOROCCANS MISCALCULATED AND DID NOT LEAVE LENDING CONSORTIUM ADEQUATE TIME TO PREPARE FINAL CREDIT AGREEMENT, EVEN THOUGH AGREEMENT IN PRINCIPLE WAS

APPARENTLY REACHED. LESSON TO DRAW HERE IS THAT TRADITIONAL NEGOTIATING TACTICS DID NOT WORK AND THAT GOM WOULD BEST BE ADVISED TO USE TREASURY'S OFFER TO ADVERTISE FOR BIDS IN FUTURE. THIS WAY GOM COULD ACT IN GOOD TIME AND AVOID LAST MINUTE SNAGS. FYI. COL. SANDERS TOLD DEPARTMENT THAT HE HAD GIVEN MOROCCANS ADEQUATE WARNING IN WRITING BUT MOROCCANS DID NOT TAKE HIS WARNINGS SERIOUSLY. END FYI.

4. WHILE IT IS UNFORTUNATE THAT GOM MISSED OUT ON DOLS. 12 MILLION GUARANTEED CREDIT, EVENT NEED NOT DETER FUTURE BILATERAL COOPERATION IN MILITARY AND OTHER AREAS. WE BELIEVE INTEREST OF BOTH SIDES BEST SERVED BY APPROACHING NEW FISCAL YEAR IN POSITIVE MANNER.

5. AT SAME TIME, EMBASSY SHOULD REMIND GOM THAT USG WILLINGNESS TO CONSIDER SALES OF CERTAIN TYPES MILITARY EQUIPMENT IN NO WAY CONNECTED TO OUR ABILITY TO PROVIDE FINANCE FOR SUCH SALES. ALTHOUGH WE WILL TRY TO IMPROVE OUR FMS PROGRAM IN FY 75, CONGRESS MUST FIRST VOTE A BILL AND WE HAVE NO WAY OF TELLING NOW WHAT LEGISLATION WILL DEVELOP. FYI. AT PRESENT WE SHOULD AVOID AIR OF OPTIMISM IN DISCUSSIONS WITH GOM BECAUSE OF UNCERTAINTIES OF FUND AVAILABILITIES IN FY 75. EVEN IF ADDITIONAL FUNDS COULD BE MADE AVAILABLE, CONGRESSIONAL DOLS. 40 MILLION CEILING POSES CONSTRAINT THAT CANNOT BE EXCEEDED UNLESS PRESIDENTIAL WAIVER AUTHORITY REESTABLISHED IN LEGISLATION. POSSIBILITY OF GETTING THIS ACCEPTED BY CONGRESS MAY NOT BE CLEAR FOR SOMETIME. END FYI.

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6. SECRETARY OF STATE REGHAYE WAS GIVEN ADVICE PARA 5 IN HIS MEETINGS WITH ASST. SEC'Y ATHERTON AND ASST. SEC'Y DEFENSE ELLSWORTH. EMBASSY SHOULD CONVEY POSITION IN PARA 5 IN FUTURE CONTACTS WITH GOM AND MAY DRAW ON BACKGROUND INFORMATION ON LOSS OF DOLS. 12 MILLION PRIVATE FMS CREDIT AS IT CONSIDERS APPROPRIATE. IN DISCUSSING FAILURE OF REGHAYE MISSION WITH GOM, DEPT. BELIEVES THAT IT WOULD BE IN BEST INTEREST OF OUR OVERALL RELATIONS TO

AVOID POINTING FINGER AT ANY PARTICULAR GOM OFFICIAL.
EMBASSY SHOULD ALSO POINT OUT THAT CURRENT INTEREST RATES
ON COMMERCIAL LOANS ARE VERY HIGH AND GOM NOW HAS ADVAN-
TAGE OF DOLS. 3 MILLION LOAN AT BARGAIN RATE OF 7 7/8
PERCENT.

7. IN VIEW OF FUND AND EQUIPMENT AVAILABILITY DIFFICUL-
TIES REFERRED TO ABOVE GUIDANCE BEING DEVELOPED ASAP ON
GENERAL US APPROACH TO MILITARY ASSISTANCE TO MOROCCO
INCLUDING EMBASSY'S REQUEST FOR SURVEY TEAM IN REF. B. SISCO

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